

**MAGALIES WATER
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**



Magalies Water

Annual Financial Statements for the year ended 30 June 2009

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Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Board's Responsibilities and Approval

The Board of Directors (The Board) is required by the Water Services Act, No 108 of 1997 as well as the Public Finance Management Act of 1999, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the Board's responsibility to ensure that the annual financial statements fairly present the state of affairs of Magalies Water as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standards and Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standards and Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board acknowledges that they are ultimately responsible for the system of internal financial control established by Magalies Water and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout Magalies Water and all employees are required to maintain the highest ethical standards in ensuring Magalies Water's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in Magalies Water is on identifying, assessing, managing and monitoring all known forms of risk across Magalies Water. While operating risk cannot be fully eliminated, Magalies Water endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The annual financial statements set out on pages 3 to 22, which have been prepared on the going concern basis, were approved by the Board of Directors on 29 August 2009 and were signed on its behalf by:

Chairperson

Chief Executive Officer

29 August 2009

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

	Note(s)	2009 R	2008 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	590,089,925	605,396,163
Investments	3	33,202,990	32,536,489
Long term debtors	5	1,295,372	1,493,608
		624,588,287	639,426,260
Current Assets			
Inventories	6	6,202,474	5,263,084
Investments	3	311,199,343	295,905,275
Trade and other receivables	7	94,616,233	60,352,658
Long term debtors- short term	5	251,700	174,000
Cash and bank	8	15,046,611	21,402,586
		427,316,361	383,097,603
Total Assets		1,051,904,648	1,022,523,863
Equity and Liabilities			
Reserves		40,467,987	40,467,987
Retained Income		943,958,789	911,751,199
		984,426,776	952,219,186
Liabilities			
Current Liabilities			
Trade and other payables	11	56,880,406	64,376,465
Provisions	10	11,396,069	6,735,820
		68,276,475	71,112,285
Total Equity and Liabilities		1,052,703,251	1,023,331,471

Magalies Water
Annual Financial Statements for the year ended 30 June 2009
Statement of Financial Performance

	Note(s)	2009 R	2008 R
Revenue	12	166,985,243	158,045,529
Cost of sales		(100,607,311)	(96,898,979)
Gross surplus		66,377,932	61,146,550
Other income		117,557,190	90,134,045
Operating expenses		(189,271,025)	(136,258,046)
Operating (deficit) surplus	13	(5,335,903)	15,022,549
Finance Income	14	37,693,323	35,079,636
Finance costs	15	(149,830)	(1,350,772)
Surplus for the year		32,207,590	48,751,413

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Statement of Changes in Net Assets

	Revaluation reserve R	Retained Income R	Total equity R
Balance at 01 July 2007	40,467,987	863,000,592	903,468,579
Changes in equity			
Adjustment of prior year balances	-	(806)	(806)
Net income (expenses) recognised directly in equity	-	(806)	(806)
Surplus for the year	-	48,751,413	48,751,413
Total recognised income and expenses for the year	-	48,750,607	48,750,607
Total changes	-	48,750,607	48,750,607
Opening balance as previously reported	40,427,519	911,751,199	952,178,718
Adjustments			
Prior period adjustments	40,468	-	40,468
Balance at 01 July 2008	40,467,987	911,751,199	952,219,186
Changes in equity			
Surplus for the year	-	32,207,590	32,207,590
Total changes	-	32,207,590	32,207,590
Balance at 30 June 2009	40,467,987	943,958,789	984,426,776

Note(s)

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Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement

	Note(s)	2009 R	2008 R
Cash flows from operating activities			
Cash (used in) generated from operations	18	(11,984,552)	9,333,243
Interest income		37,693,323	35,079,636
Finance costs		(149,830)	(1,350,772)
Net cash flows from operating activities		25,558,941	43,062,107
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(19,992)	(17,993)
Sale of property, plant and equipment	19	69,039	(933,559)
Increase in investments		(15,960,569)	(45,227)
Purchase of long term debtors		-	(1,667,608)
Decrease of Long term debtors		120,536	-
Net cash flows from investing activities		(15,790,986)	(2,664,387)
Cash flows from financing activities			
Repayment of long term liabilities		-	(38,992)
Net cash flows from financing activities		-	(38,992)
Total cash movement for the year		9,767,955	40,358,728
Cash at the beginning of the year		21,402,586	57,556,236
Total cash at end of the year	8	31,170,541	97,914,965

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards and Generally Accepted Accounting Practice, and the Water Services Act, No 108 of 1997 as well as the Public Finance Management Act of 1999. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Buildings	
• Buildings	40 years
Plant and machinery	
• Plant and machinery	18 years
• Laboratory equipment	5 years
Furniture and fixtures	
• Furniture & Fittings	6 years
Motor vehicles	
• Light vehicles	4 years
• Heavy duty & industrial vehicles	4 years
Office equipment	
• Office equipment	3 years
IT equipment	
• Computer equipment	3 years
Reservoir & pipelines	
• Water works and pipelines	45 years
•	

The residual value, depreciation method and the useful life of each asset are reviewed at each financial period-end.

The depreciation charge for each period is recognised in the statement of financial performance.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of financial performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Fixed assets under construction

Fixed assets under construction are carried at cost less any impairment loss where the recoverable amount of the asset is estimated to be lower than the carrying value. Costs include professional fees, materials etc. Depreciation of these assets, on the same basis as other assets commences when the assets are ready for their intended use.

Land is carried at cost and is revalued every three years.

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Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.2 Investments

Investments maturing within 12 months from the balance sheet date are classified as current assets.

Investments maturing over a period of longer than 12 months from the balance sheet date, are classified as non-current assets.

All investments are stated at fair value with any resultant gain or loss recognised in the statement of financial performance.

Investment income is recognised as it accrues in the statement of financial performance, using the effective interest rate method.

Investment income and expense comprises interest income on funds invested and changes in the fair value of financial assets at fair value through the statement of financial performance.

Finance expenses comprise interest expenses on borrowings, unwinding of the discount on provisions and other interest-free liabilities, changes in the fair value of the financial assets at fair value through the statement of financial performance, impairment losses are recognised on the financial assets

1.3 Financial instruments

Initial recognition

Magalies Water classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on Magalies Water's statement of financial position when Magalies Water becomes party to the contractual provisions of the instrument.

Trade and other receivables

Short duration receivables with no stated interest rate are measured at original invoice amount less provision for doubtful debts.

Trade and other payables

Trade payables are initially measured at fair value.

Cash and bank

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Hedge accounting

Magalies Water designates a hedging relationship between a hedging instrument and a hedged item in such a way as to qualify for hedge accounting. Hedge accounting is applied to foreign exchange risk in a firm commitment, a highly probable forecast transaction or recognised monetary items.

1.4 Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less any costs of completion and costs to be incurred in marketing, selling and distribution.

Cost is determined on the following basis:

Raw materials are valued at first in first out basis

Maintenance stores and chemicals are valued at weighted average cost.

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.5 Impairment of assets

Magalies Water assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, Magalies Water estimates the recoverable amount of the asset.

1.6 Long term debtors

Debtors that have fixed or determinable payments which are not payable in the next twelve months and not quoted in an active market are classified as long term debtors. Long term debtors are measured at amortised costs using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective rate, except for short-term debtors when the recognition of interest would be immaterial.

1.7 Employee benefits

Other post-retirement obligations

The board is obliged to contribute a share of monthly contributions to the medical aid fund on behalf of retired members, provided that they retain their membership to the medical aid fund. The board has arranged an insurance policy which will fund this liability. The board provides post-retirement health care benefits to their retirees. The entitlement to this benefit is based on the employee remaining in service up to retirement age and completion of a minimum service period.

Defined contribution plans

Contributions to defined contribution plan is in respect of services in a particular period and are recognised as an expense in that period. The board contributes towards Magalies Water Retirement Fund. This fund is registered and controlled in terms of the Pension Fund Act.

1.8 Provisions and contingencies

Provisions are recognised when:

- the Magalies Water has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.9 Government grants

Government grants are recognised when there is reasonable assurance that:

- Magalies Water will comply with the conditions attached to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as a compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Magalies Water with no future related costs is recognised as income of the period in which it becomes receivable.

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.10 Revenue

Revenue from the sale of water and services rendered are recognised when all the following conditions have been satisfied:

- Magalies Water has transferred to the buyer the significant risks and rewards of ownership of the goods;
- Magalies Water retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to Magalies Water; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period of maturity. Interest income is recognised in the statement of financial position.

1.11 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.12 Other income

Interest income

Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period of maturity. Interest income is recognised in the statement of financial position.

Management fees

Management fees are charged for work done on behalf of municipalities and are recognised as revenue on the accrual basis in accordance with the substance of the relevant agreements.

1.13 Cost of sales

When water is sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Unauthorised, Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with a requirement of any applicable legislation, including:

- The PFMA, or
- Supply chain management framework

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular and fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

Magalies Water
Annual Financial Statements for the year ended 30 June 2009
Notes to the Annual Financial Statements

	2009 R			2008 R		
2. Property, plant and equipment						
	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	8,295,773	-	8,295,773	8,295,773	-	8,295,773
Plant and machinery	151,514,222	(42,798,492)	108,715,730	147,713,116	(33,752,693)	113,960,423
Fixed assets under construction	18,156,405	-	18,156,405	12,846,266	-	12,846,266
Motor vehicles	16,933,917	(7,423,954)	9,509,963	16,014,386	(6,485,652)	9,528,734
Furniture and fixtures	4,907,644	(4,311,380)	596,264	4,267,292	(1,381,295)	2,885,997
IT equipment	3,374,654	(1,844,132)	1,530,522	2,062,834	(840,231)	1,222,603
Computer software	622,565,760	(195,170,403)	427,395,357	622,565,760	(181,510,240)	441,055,520
Other property, plant and equipment	21,244,360	(5,354,447)	15,889,913	20,614,198	(5,013,351)	15,600,847
Total	846,992,735	(256,902,810)	590,089,925	834,379,625	(228,983,462)	605,396,163

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Difference	Additions	Disposals	Depreciation	Total
Land	8,295,773	-	-	-	-	8,295,773
Plant and machinery	113,960,423	(5,239,449)	3,800	-	(9,046)	108,715,728
Fixed assets under construction	12,846,266	5,304,829	5,310	-	-	18,156,405
Motor vehicles	9,528,734	(18,753)	7,776	(3,535)	(4,259)	9,509,963
Furniture and fixtures	2,885,997	(2,287,444)	739	(63)	(2,965)	596,264
Computer Equipment	1,222,603	307,611	1,737	(245)	(1,184)	1,530,522
Pipelines & Reservoir	441,055,520	(13,646,503)	-	-	(13,660)	427,395,357
Buildings	15,600,847	288,777	630	-	(341)	15,889,913
	605,396,163	(15,290,932)	19,992	(3,843)	(31,455)	590,089,925

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Difference	Additions	Additions through business combinations	Disposals	Depreciation	Total
Land	8,296	8,287,477	-	-	-	-	8,293,773
Plant and machinery	113,960	113,846,463	-	-	-	-	113,960,423
Furniture and fixtures	1,928	2,883,111	1,159	94	(13)	(282)	2,885,997
Motor vehicles	10,002	9,519,206	170	1,918	(1,506)	(1,056)	9,528,734
Computer equipment	1,223	1,221,380	-	-	-	-	1,222,603
Pipelines & Reservoir	458,446	440,614,464	1,702	104	-	(19,196)	441,055,520
Fixed assets under construction	-	12,833,420	12,846	-	-	-	12,846,266
Buildings	15,601	15,585,246	-	-	-	-	15,600,847
	609,456	604,790,767	15,877	2,116	(1,519)	(20,534)	605,396,163

The Fixed assets under construction consists of fixed assets not yet completed and it is probable that future economic benefits associated with these items will flow to Magalies Water when they are completed.

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
3. Investments		
Zero Coupon Investments		
INCA Zero Coupon Investment, 14.94% growth on investment, maturing 31/03/2015	2,837,239	2,456,526
SCMB Zero Coupon Investment, 43.167% simple interest on capital balance per annum, maturing 30/06/2011	10,317,196	9,524,660
SCMB Zero Coupon Investment, 50.787% simple interest on capital balance per annum, maturing 31/03/2015	10,208,325	9,375,074
	23,362,760	21,356,260
Other long term Investments		
Sanlam This investment was intended for the settlement of interest on the final installment of a long term loan. The Loan, however was repaid in full in 2007/08 financial year end.	-	1,925,496
Momentum The Board is obliged to contribute on behalf of members the Board's share of their monthly contributions to the medical aid fund, provided the members retain their membership to the medical aid fund. The Board has arranged an insurance policy which will fund this liability. The Board provides post-retirement health care benefits to their retirees. The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that of defined benefit pension plans. Magalies Water is under no obligation to cover any unfunded benefits. The total contribution of R5,181,729 comprises 40% employee contributions amounting to R2,072,692 and 60% employer contributions amounting to R3,109,03.	9,840,230	9,254,733
	9,840,230	11,180,229
Short-term Investments		
Unlisted short-term investments (Refer to supplementary schedule 1)	309,276,882	295,905,275
Sanlam This investment was intended for the settlement of interest on the final installment of a long term loan. The loan, however was repaid in full in the 2007/08 financial year end. The investment has been reclassified as a current asset in the 2008/09 financial year as it matures in June 2010.	1,922,461	-
	311,199,343	295,905,275
Total Investments	344,402,333	328,441,764
Represented by:		
Non-current assets		
Zero Coupon Investments	23,362,760	21,356,260
Other long term Investments	9,840,230	11,180,229
	33,202,990	32,536,489
Current assets		
Short-term Investments	311,199,343	295,905,275
Total Investments	344,402,333	328,441,764

4. Retirement benefits

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
4. Retirement benefits (continued)		
Defined contribution plan		
Contributions to a defined contribution plan in respect of service in a particular period are recognised as an expense in that period. The board contributes towards Magalies Water Retirement Fund. This fund is registered and controlled in terms of the Pension Funds Act 24 of 1956. The total contribution of R7,535,309 comprises of 7.50% employee contributions amounting to R3,229,418 and 10% employer contributions amounting to R4,306 891.		
5. Long term debtors		
East Gauteng Services Council- Long term	1,295	1,494
East Gauteng Services Council- Short term	252	174
	1,547	1,668
The debt is repayable in six monthly installments of R196 713 with a final installment of R196 713 on 30/09/2014 at the interest rate of 13.50% per annum.		
6. Inventories		
Chemicals and components	6,202,474	5,263,084
7. Trade and other receivables		
Trade receivables	83,949,188	53,613,865
Deposits	897,243	785,075
VAT	-	3,579,458
Provision for bad debts	(2,617,705)	(18,122,354)
Sundry debtors	12,387,507	20,496,614
	94,616,233	60,352,658
During the year the Board has approved the write-off of Moses Kotane Local Municipality debtors of R17 713 000 which were previously provided for in full.		
8. Cash and bank		
Cash and cash equivalents consist of:		
Cash on hand	17,539	14,334
Bank balances	15,029,072	21,388,252
	15,046,611	21,402,586
9. Revaluation reserve		
Arising from assets exceeding liabilities with the acquisition of North West Water Supply Authority on 1 April 1996	40,468	40,468
Undefined Difference	40,427,519	40,427,519
	40,467,987	40,467,987

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
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10. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Difference	Additions	Total
Leave pay benefits	6,735,820	1,458,789	1,460	8,196,069
Provision for project expenditure	-	2,597,400	2,600	2,600,000
Provision for Settlement	-	599,400	600	600,000
	6,735,820	4,655,589	4,660	11,396,069

Provision for project expenditure of R2,6m is in respect of expense to be incurred in building a school hall as part of the Social Corporate Investment and it represents management's best estimate of Magalies Water's liability under this period.

The leave pay provision is based on the number of days leave due to employees at financial year end times their cost to company per day.

Provision for leave pay has been reclassified to provisions in order to represent faithfully the transaction. Comparative figures has been restated in terms of IAS 1 par 41.

11. Trade and other payables

Trade payables	7,786,038	12,113,449
VAT	4,477,120	-
Retention and consumer deposits	3,120,260	3,211,376
Accruals	39,091,815	47,593,167
13th Cheque	2,405,173	1,458,473
	56,880,406	64,376,465

12. Revenue

Water Sales	166,985,243	158,045,529
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Notes to the Annual Financial Statements

	2009 R	2008 R
13. Operating (deficit) surplus		
Operating surplus for the year is stated after accounting for the following:		
Other income		
Management fees received	115,254,712	80,014,328
Profit on early settlement of loan	-	8,690,439
Other	2,302,478	1,426
	117,557,190	88,706,193
Operating lease charges		
Equipment		
• Contractual amounts	79,508	155,867
Surplus (deficit) on sale of property, plant and equipment	65,196	(935,078)
Depreciation on property, plant and equipment	31,455,322	20,532,337
Employee costs	79,136,058	63,866,490
Fruitless and wasteful expenditure	978	269
14. Finance Income		
Interest Income		
Interest received - RDP	250,076	325,917
Interest received from Banks	1,800,542	2,791,252
Interest received- East Gauteng Services Council	53,505	-
Investment income	35,589,200	31,962,467
	37,693,323	35,079,636
15. Finance costs		
Long term loans and other creditors	149,855	1,350,772
Interest paid 2	(25)	-
	149,830	1,350,772
Interest paid on long outstanding creditors.		
16. Taxation		
Magalies Water is exempt from income tax in terms of the provisions of section 10(I)(cA)(i) of the Income Tax Act.		
17. Auditors' remuneration		
Auditors remuneration	1,062,959	586,724

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Notes to the Annual Financial Statements

	2009 R	2008 R
18. Cash (used in) generated from operations		
Surplus before taxation	32,207,590	48,751,413
Adjustments for:		
Depreciation and amortisation	31,455,322	20,532,337
Profit on sale of assets	(65,196)	935,078
Interest received	(37,693,323)	(35,079,636)
Finance costs	149,830	1,350,772
Movements in provisions	4,660,249	-
Adjustment of prior year balances	-	(806)
Changes in working capital:		
Inventories	(939,390)	(432,390)
Trade and other receivables	(34,263,575)	(26,748,433)
Trade and other payables	(7,496,059)	24,908
	(11,984,552)	9,333,243

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Notes to the Annual Financial Statements

	2009 R	2008 R
19. Sale of property, plant and equipment		
Disposal of assets as per note 2	3,843	1,519
Profit on sale of assets	65,196	-
Loss on sale of assets	-	(935)
Proceeds on sale of assets	69,039	584
20. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	210,251	-
Not yet contracted for and authorised by	173,646	-
This committed expenditure relates to Projects and will be financed by available bank facilities, retained profits, internally generated, etc.		
21. Contingencies		
During the financial year the services of the Chief Executive Officer were terminated and the former Chief Executive Officer has referred the matter to the Commission for Conciliation, Mediation and Arbitration (CCMA), we are still awaiting the outcome of the arbitration process. It is not in the best interest of Magalies Water to estimate the amount and disclose it in these financial statements. The amount cannot be estimated with any degree of reasonableness.		
Magalies Water has entered into an agreement with various mining companies and municipalities to erect the Pilansberg Water Scheme at a total cost of R860 million. The scheme will be funded jointly and Magalies Water will fund R370 million of the amount. In terms of the Collaboration Agreement, Magalies Water will take over the funding should any of the parties withdraw from the project. Although no such withdrawals are anticipated at this stage, this creates a potential liability for Magalies Water of the full R860 million.		
22. Related parties		
Related party balances		
Amounts included in Trade receivables regarding related parties		
City of Tshwane Metro Municipality	18,062	15,042
Rustenburg Water Services Trust	3,121	2,406
The following transactions were carried out with related parties:		
Management fees received from related parties		
Roodeplaat Temba Water Services Trust	-	16,746
Rustenburg Water Services Trust	26,959	10,192
City of Tshwane Metro Municipality	41,934	
Purchases of goods and services on behalf of related parties		
Themba Roodeplaat Water Services Trust	-	32,458
Rustenburg Water Services Trust	25,872	16,663
City of Tshwane Metro Municipality	51,367	28,532
Compensation to and other key management		
Short-term employee benefits	9,358	7,387
Post-employment benefits - Providend fund - Defined contribution plan	-	428
	9,358	7,815

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
23. Board & Senior Management emoluments		
SENIOR MANAGERS		
Mr. N.K.D. Lolwane-Resigned May 2008	-	798
Ms. S.J. Sekgobela	1,259	672
Mr. J.H. Oppel	-	952
Mrs. Z. Nkukwana	736	-
Mr. C. Morolo	1,069	-
Mr. K. Vilakazi	905	-
Mr. M. Dayanand	968	513
Mr. L.M. Motlhodi	1,085	257
Mr. S.E. Ngcobo	928	850
Mr. R.M. Le Roux	1,045	824
Mr. M.R. Nkopane-Resigned February 2008	-	1,056
Mr. O. M. Dlamini- Resigned Dec 2007	-	560
	7,995	6,482

BOARD MEMBERS

Mr. N. Pretorius	170	101
Ms. J. Krzyzanowska	100	96
Ms. M.M. Legana (Chairperson)	168	66
Mr. F.I. Sherrif	122	102
Clr W.B. Mahlangu	83	65
Adv F.M. Mayimele-Hashatse (Vice-Chair)	128	123
Mr. S.S. Faku	120	97
Adv K.C.O. Garlipp	301	91
Ms. M. Magasa	110	104
Mayor. M.J. Wolmarans	61	60
Prof. M. I. Jahed (Chairperson)	-	-
Mr. R. Mokua	-	-
Ms. Z.B. Madikizela	-	-
Ms. P.N. Nkwinika	-	-
Mr. D.R. Sibanda	-	-
Mr. B.W. Mahlangu	-	-
Mr. C. Mannya	-	-
Ms. T. Zondi (Vice-Chair)	-	-
Ms. M. Hlahla	-	-
Mr. L.C. Gwangwa	-	-
	1,363	905

On 18 June 2009, a new board of directors was appointed.

24. Change in estimate

Property, plant and equipment

The useful life of certain plant was estimated in 2004 to be between 18 and 60 years. In the current period management have revised their estimate according to their respective categories. The effect of this revision has increased the depreciation charges for the current and future periods by R 10,723,264.

Motor vehicles

The useful life of motor vehicles was estimated in 2004 to be between 8 and 20 years. In the current period management have revised their estimate to 4 years. The effect of this revision has increased the depreciation charge for the current and

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

	2009 R	2008 R
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24. Change in estimate (continued)

future periods by R 3,090,938.

Furniture and Fittings

The useful life of furniture & fittings was estimated in 2004 to be 8 years. In the current period management have revised their estimate to 6 years. The effect of this revision has increased the depreciation charge for the current and future periods by R 2,851,289.

Plant and Laboratory Equipment

The useful life of Plant and Laboratory Equipment was estimated in 2004 to be between 18 and 60 years years. In the current period management have revised their estimate to be between 18 and 45 years. The effect of this revision has increased the depreciation charge for the current and future periods by R3,838,155.

25. Pre Prior period errors

Property, Plant and Equipment were not included in the general ledger and the assets register for the period preceeding the prior period.

The long term debtor, East Gauteng District Services, was not included in the period preceeding the prior year general ledger.

RDP subsidies received and incorrectly expensed in the period preceeding the prior period. The balance should have been carried over to the prior period.

Long term investments were understated in the period preceeding the prior period general ledger.

The correction of the error(s) resulted in adjustments as follows:

Balance sheet

Property, plant and equipment	-	2,116
Long term debtor	-	1,824
RDP Subsidies	-	(8,223)
Long term investments	-	3,477
Opening retained earnings	-	806

Magalies Water
Annual Financial Statements for the year ended 30 June 2009
Notes to the Annual Financial Statements

	2009 R	2008 R
26. Going concern		
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.		
27. Reclassification of operating costs to cost of sales		
Raw water	39,381	39,832
Chemicals	23,381	20,738
Electricity	34,083	32,545
Water Research levy	2,623	2,544
Water Resource Management	900	1,238
	100,368	96,897

In terms of the guidelines issued by DWAF, potable water cost of sales is only raw water, with all other operating costs associated with production process included in operating and administration expenses. In order to improve disclosure, Magalies Water deemed it appropriate to depart from DWAF guidelines and reclassify operating costs associated with the production process to cost of sales which is in line with International Financial Reporting Standards. All other costs are regarded as operating costs.

Magalies Water
Annual Financial Statements for the year ended 30 June 2009
Detailed Income statement

	Note(s)	2009 R	2008 R
Revenue			
Sale of goods		166,985,243	158,045,529
Cost of sales			
Raw water purchases		(39,416,494)	(39,833,717)
Cost of production		(61,190,817)	(57,065,262)
		(100,607,311)	(96,898,979)
Gross surplus		66,377,932	61,146,550
Other income			
Administration and management fees received		115,254,712	80,014,325
Discount received		144	3,236
Other income		1,953,216	1,126,333
Profit on early settlement of loan		-	8,690,439
Sundry income		283,922	299,712
Interest received	14	37,693,323	35,079,636
Gains on disposal of assets		65,196	-
		155,250,513	125,213,681
Expenses (Refer to page 22)		(189,271,025)	(136,258,046)
Operating surplus	13	32,357,420	50,102,185
Finance costs	15	(149,830)	(1,350,772)
Surplus for the year		32,207,590	48,751,413

Magalies Water

Annual Financial Statements for the year ended 30 June 2009

Detailed Income statement

	Note(s)	2009 R	2008 R
Operating expenses			
AGM expenses		(8,417)	-
Advertising		(4,069,090)	(1,648,554)
Auditors remuneration	17	(1,062,959)	(586,725)
Bad debts		(2,714,782)	1,176,799
Bank charges		(166,984)	(184,229)
Computer expenses		(1,103,551)	(681,709)
Consulting fees		(4,643,135)	(2,348,001)
Consumables		(2,577,217)	(1,454,219)
Depreciation, amortisation and impairments		(31,455,322)	(20,532,337)
Donations		(100,000)	(50,776)
Employee costs		(79,136,058)	(63,866,490)
Entertainment		(1,414,145)	(810,940)
Licencing and certification costs		(6,661,253)	(5,123,688)
Membership fees		(145,943)	(176,136)
Cost recovery		-	(34,992)
Head office expenses		-	(253,727)
Accident and excess costs		(2,770)	(14,773)
Radios, repeaters and antennas		-	(24,108)
Administration overheads		(4,048,802)	(4,921,329)
Fines and penalties		(634,603)	(166,121)
Garden Services		(1,293,494)	(730,292)
Hire		(3,531,514)	(4,210,220)
Insurance		(1,686,876)	(973,648)
Lease rentals on operating lease		(79,508)	(155,867)
Legal expenses		(644,436)	(480,195)
Recruitment costs		(975,831)	(934,247)
Loss on disposal of assets		-	(935,078)
Motor vehicle expenses		(1,540,155)	(982,741)
Corporate Social Responsibility		(2,989,494)	-
Sludge Removal		(2,811,074)	(424,864)
Petrol and oil		(1,995,413)	(2,358,851)
Postage		(116,134)	(83,983)
Printing and stationery		(926,476)	(750,916)
Repairs and maintenance		(13,556,060)	(10,229,383)
Security		(4,891,810)	(3,541,139)
Subscriptions		(1,021)	-
Telephone and fax		(3,438,843)	(2,525,495)
Training		(3,099,637)	(1,650,831)
Travel - local		(5,012,856)	(3,447,803)
Travel - overseas		(569,011)	-
Electricity		(166,351)	(140,438)
		(189,271,025)	(136,258,046)

Magalies Water
Annual Financial Statements for the year ended 30 June 2009
Supplementary information

1. SHORT TERM DEPOSITS

Institution	Interest rate (%)	Market value 2008/09 R	Market value 2007/08 R
Standard Bank	11	128,964	135,131
Investec	12	61,263	55,452
Landbank	11	37,143	32,934
Sanlam	10	32,401	27,966
ABSA	8	29,577	24,949
RMB	12	21,851	19,473
		311,199	295,905